Management Discussion and Analysis

February 28, 2019

Results for the year ended December 31, 2018

Olam almond orchards, Australia

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Fourth Quarter ("Q4 2018") and Full Year ended December 31, 2018 ("2018")

Contents

This Management Discussion and Analysis (MD&A) should be read and understood only in conjunction with the full text of Olam International Limited's Financial Statements for the Fourth Quarter and Full Year ended December 31, 2018 lodged on SGXNET on February 28, 2019.

www.olamgroup.com/investors.html
ir@olamnet.com

Key Highlights

Financial Performance

S$ million	2018	2017	% Change	Q4 2018	Q4 2017	% Change
Volume ('000 MT)	32,867.6	22,534.6	45.9	9,610.9	7,796.0	23.3
Revenue	30,479.0	26,272.5	16.0	8,460.4	7,235.2	16.9
Net gain/(loss) in fair value of biological assets	61.3	(15.3)	n.m.	70.9	(14.2)	n.m.
EBITDA	**1,235.8**	**1,327.9**	**(6.9)**	**330.7**	**312.8**	**5.7**
Depreciation & Amortisation	(392.8)	(380.7)	3.2	(102.1)	(93.6)	9.1
Net Finance costs	(468.8)	(465.6)	0.7	(158.3)	(92.1)	71.9
Taxation	(52.3)	(79.2)	(34.0)	(1.6)	(26.3)	(93.9)
Exceptional items	1.2	149.2	(99.2)	3.3	155.4	(97.9)
PAT	323.1	551.6	(41.4)	72.2	256.1	(71.8)
PATMI	**347.8**	**580.7**	**(40.1)**	**75.3**	**265.1**	**(71.6)**
Operational PATMI	**346.6**	**431.5**	**(19.7)**	**72.0**	**109.7**	**(34.4)**

- **Profit After Tax and Minority Interests (PATMI) declined 40.1% to S$347.8 million in 2018** against a strong performance of S$580.7 million in 2017. The decline was mainly due to the significant exceptional gains of S$149.2 million recorded in 2017.

- **EBITDA decreased by 6.9% to S$1,235.8 million in 2018** (2017: S$1,327.9 million) as improved performance from Cocoa, Packaged Foods and Wood Products was offset by lower contribution from Peanuts, Coffee, Rice and Dairy businesses.

- **Operational PATMI** (PATMI excluding exceptional items) **was lower by 19.7% at S$346.6 million** compared with S$431.5 million in 2017.

- **Sales volume rose 45.9% in 2018** with a significant increase in Grains trading volumes.

- **Net finance costs were largely contained at S$468.8 million in 2018** (2017: S$465.6 million) as significantly lower net debt and higher finance income helped offset the impact from the increase in interest rates.

- **Depreciation and amortisation was marginally higher at S$392.8 million in 2018** (2017: S$380.7 million), in line with an enlarged fixed asset base.

- The results included a **net gain of S$61.3 million for 2018** (2017: -S$15.3 million) on the **fair valuation of upstream assets**, namely the almond produce and palm fruits on trees in Australia and Gabon respectively, as well as the dairy assets in Russia and Uruguay.

- **Gross Capex of S$852.8 million in 2018** (2017: S$970.6 million) was incurred for meeting ongoing Capex commitments during this period. **Net Capex after disposals and divestments was S$417.0 million** in 2018 compared with 2017 of S$637.4 million.

- **Free Cash Flow to Equity (FCFE)** were **higher at S$1,066.3 million in 2018** (2017: S$1,020.4 million).

- **Net gearing improved to 1.32 times as at December 31, 2018** compared with 1.46 times as at December 31, 2017.

- The Board of Directors recommends a **final dividend of 4.0 cents** per share, maintaining **total dividend at 7.5 cents** per share for 2018 (2017: 7.5 cents).

Financing

- In March 2018, Olam secured a three-year sustainability-linked revolving credit facility, aggregating US$500.0 million, with Olam Treasury Pte Ltd ("OTPL"), a 100% subsidiary of Olam as co-borrower to the facility. This is Asia's first sustainability-linked club loan with multiple banks issuing the loan together and in collaboration with the borrower on achieving sustainability targets. The targets are based on a pre-set environmental, social and governance (ESG) metrics, which will be tested annually. If the targets are achieved, the interest rate on the facility will be subsequently reduced.

- Olam also secured medium term financing facilities, aggregating US$163.0 million from the Asian Development Bank and Japan International Cooperation Agency. The facilities consist of two tranches: (i) a US$83.0 million five-year facility and (ii) a US$80.0 million seven-year facility. Proceeds from the facilities will be applied towards Capex and working capital requirements of the Company and subsidiaries in Vietnam, Indonesia, Timor-Leste and Papua New Guinea.

- In July 2018, Olam's wholly owned subsidiary Olam Americas Inc. successfully priced a US$100.0 million issuance of five-year fixed rate notes via a private placement at a fixed coupon of 4.35%.

- In September 2018, OTPL secured its second term loan facility of JPY30.0 billion (approximately US$265.0 million) in the Japanese loan market (its first was in July 2017), consisting of JPY20.7 billion, a three-year tranche, and JPY9.3 billion, a five-year tranche, guaranteed by Olam.

- To refinance existing loans, Olam and OTPL closed a multi-tranche revolving credit facility (RCF) aggregating US$1,425.0 million during the same month. The RCF consists of a 364-day facility of US$570.0 million, a two-year facility of US$427.5 million and a three-year facility of US$427.5 million.

Strategic Plan Update

During 2018, Olam entered into the following transactions:

- In January 2018, Olam acquired a 30.0% stake in Vietnam's second largest cashew processor Long Son Joint Stock Company ("Long Son") for US$20.0 million. The transaction allows Olam to secure higher volumes for marketing of kernels to meet increased demand in Asia.

- In March 2018, Olam sold its entire 50.0% interest in Nauvu Investments ("Nauvu") to Wilmar International ("Wilmar") for US$148.0 million. Prior to the disposal, Nauvu was a 50:50 joint venture between Olam and Wilmar which held investments in the SIFCA Group.

- Olam also sold its wholly owned subsidiary PT ACE Dalle Kokoa Manufaktur ("PT ACE"), a company incorporated in Indonesia which held land as primary asset, to PT Mega Khatulistiwa Propertindo, for approximately US$14.0 million.

- In May 2018, Olam acquired 100.0% interest in Inversiones Andinas J&V S.A.C ("Andinas") for US$3.5 million. Incorporated in Peru, Andina is involved in origination, processing, packaging and marketing of quinoa and chia, which become new adjacent products to Olam's Edible Nuts portfolio.

- Olam also announced its intention to acquire 60.0% interest in Cotontchad SN, a state-owned company with exclusive rights to procure, process and sell Chadian cotton and by-products, for US$16.5 million. This is subject to completion of conditions precedent as per the agreement.

- In June 2018, the Company acquired 100.0% interest in Ruyat Oil Limited ("Ruyat") for an aggregate consideration of US$4.4 million. Ruyat is incorporated in Nigeria with principal activities in sourcing of crude vegetable oil, refining and marketing of refined, bleached and deodorised Olein.

On 25 January 2019, the Company announced its 2019-2024 Strategic Plan that capitalises on key trends shaping the sector. Driven by consumers and advances in technology, these trends include increasing demand for healthier foods, traceable and sustainable sourcing, e-commerce and the rise of "purpose" brands. Olam plans to invest US$3.5 billion (including maintenance capex) to strengthen businesses with high growth potential, while releasing US$1.6 billion by responsibly divesting certain businesses and assets lying outside the strategic priorities over the course of this plan. Read the Annexure "Business Model and Strategy" for more details.

Post the announcement of the new Strategic Plan, the Company announced the following:

- Indirect wholly-owned subsidiary Queensland Cotton Corporation Pty Ltd (QCC) disposed of its entire 51.0% shareholding in Collymongle Ginning Pty Ltd, a company incorporated in Australia, to PJ & PM Harris Pty Ltd (Harris) following an exercise of option, for a total cash consideration of A$4.08 million. (QCC had in 2014 sold down its shareholding in CGPL from 100.0% to 51.0% to Harris.)

- Wholly owned subsidiary Olam Argentina S.A. disposed of its entire 100.0% equity interest in Olam Alimentos S.A., a company incorporated in Argentina with principal activity in peanut shelling and blanching, to Adecoagro, for a cash consideration of US$10.0 million. This is in line with the new Strategic Plan by divesting select businesses and redeploying capital into proven businesses which have performed consistently and have market leading positions, such as the peanut shelling, blanching and ingredients business in the US.

- Olam acquired 85.0% equity interest in YTS Holdings Pte Ltd, which owns 100.0% of Indonesia's largest cocoa processor PT Bumitangerang Mesindotama (BT Cocoa), from its founding members, Piter Jasman and family, for a total cash consideration of US$90.0 million. The transaction is part of the new Strategic Plan to grow its cocoa ingredients business by expanding its platform in Asia and enhancing its product offering in the region.

Outlook and Prospects

While political and economic uncertainties are expected to continue, Olam believes its diversified and well-balanced portfolio provides a resilient platform to navigate the challenges in both the global economy and commodity markets.

Olam will execute on the four strategic pathways for growth as set out in the 2019-2024 Strategic Plan. It will strengthen, streamline and focus its business portfolio, drive margin improvement by enhancing cost and capital efficiency, generate additional revenue streams by offering differentiated products and services, and explore partnerships and investments in select new engines for growth.

Summary of Financial and Operating Results

Profit and Loss Analysis

S$ million	2018	2017	% Change	Q4 2018	Q4 2017	% Change
Volume ('000 MT)	**32,867.6**	**22,534.6**	**45.9**	**9,610.9**	**7,796.0**	**23.3**
Revenue	**30,479.0**	**26,272.5**	**16.0**	**8,460.4**	**7,235.2**	**16.9**
Other income^	55.5	52.2	6.3	34.9	20.7	68.6
Cost of sales	(27,985.8)	(23,757.7)	17.8	(7,978.9)	(6,520.7)	22.4
Overhead expenses^	(1,317.6)	(1,248.5)	5.5	(375.7)	(380.6)	(1.3)
Other operating expenses	(119.1)	(42.9)	177.6	89.8	(74.1)	n.m.
Net (loss) / gain in fair value of biological assets	61.3	(15.3)	n.m.	70.9	(14.2)	n.m.
Share of results from jointly controlled entities and associates	62.5	67.6	(7.5)	29.3	46.5	(36.9)
EBITDA^	**1,235.8**	**1,327.9**	**(6.9)**	**330.7**	**312.8**	**5.7**
EBITDA %	4.1%	5.1%		3.9%	4.3%	
Depreciation & amortisation	(392.8)	(380.7)	3.2	(102.1)	(93.6)	9.1
EBIT^	**843.0**	**947.2**	**(11.0)**	**228.6**	**219.2**	**4.3**
Exceptional items	1.2	149.2	(99.2)	3.3	155.4	**(97.9)**
Net Finance costs	(468.8)	(465.6)	0.7	(158.3)	(92.1)	71.9
PBT^	**375.4**	**630.8**	**(40.5)**	**73.6**	**282.4**	**(73.9)**
Taxation^	(52.3)	(79.2)	(34.0)	(1.6)	(26.3)	(93.9)
PAT	**323.1**	**551.6**	**(41.4)**	**72.2**	**256.1**	**(71.8)**
PAT %	1.1%	2.1%		0.9%	3.5%	
Non-controlling interests	(24.7)	(29.1)	(15.2)	(3.1)	(9.0)	(64.9)
PATMI	**347.8**	**580.7**	**(40.1)**	**75.3**	**265.1**	**(71.6)**
PATMI %	1.1%	2.2%		0.9%	3.7%	
Operational PATMI	**346.6**	**431.5**	**(19.7)**	**72.0**	**109.7**	**(34.4)**
Operational PATMI %	1.1%	1.6%		0.9%	1.5%	

^Excluding exceptional items

Sales Volume

Volume grew 45.9% mainly due to higher trading volumes in Grains during 2018.

Revenue

Revenue growth was 16.0% as the increased trading volumes from Grains have a lower selling price than that of other products in the portfolio.

Other Income

Other income was largely flat at S$55.5 million (2017: S$52.2 million).

Cost of Sales

The change in cost of sales normally follows the corresponding change in revenue for a given period. In 2018, cost of sales increased by 17.8%, in line with the increase in revenue.

Overhead (Selling, General & Administrative) Expenses

Selling, General & Administrative expenses rose by 5.5% to S$1,317.6 million in 2018 (2017: S$1,248.5 million) on account of investments in new corporate growth initiatives, such as digitalisation and sustainability-based solutions, including AtSource™.

Other Operating Expenses

Other operating expenses was S$119.1 million in 2018 versus S$42.9 million in 2017. This was mainly due to unrealised foreign exchange losses recorded following significant devaluation of local currencies against the US dollar, namely the Brazilian Real, Indian Rupee, Turkish Lira and Argentinean Peso.

Net Changes in Fair Value of Biological Assets

Net changes in fair valuation of biological assets amounted to a gain of S$61.3 million in 2018 compared with a net loss of S$15.3 million in 2017. This was mainly because of gains from the fair valuation of almond produce and palm fruits on trees in Australia and Gabon respectively, as well as the dairy assets in Russia and Uruguay.

Share of Results from Jointly Controlled Entities and Associates

Share of results from jointly controlled entities and associates includes that of PT DUS, our Indonesian sugar refining unit, which became an associate in January 2018 after the sale of 50.0% interest in December 2017. The income from PT DUS helped offset the absence of contribution from Nauvu following the sale of our entire stake in the joint venture in March 2018.

For 2018, the share of results from jointly controlled entities and associates was slightly down from S$67.6 million in 2017 to S$62.5 million in 2018. This was mainly because of lower contribution from GSEZ in 2018 compared with 2017.

EBITDA

EBITDA declined by 6.9% to S$1,235.8 million in 2018 as improved performance from Cocoa, Packaged Foods and Wood Products was offset by lower contribution from Peanuts, Coffee, Rice and Dairy businesses.

Depreciation and Amortisation

Depreciation and amortisation expenses increased marginally from S$380.7 million in 2017 to S$392.8 million in 2018 on a slightly enlarged fixed asset base.

Finance Costs

Net finance costs was almost flat at S$468.8 million in 2018 (2017: S$465.6 million) as lower net debt and higher finance income reduced the impact from higher interest rates.

Taxation

Tax expenses came down from S$79.2 million in the prior year to S$52.3 million in 2018 primarily due to reduced earnings as well as the change in the earnings composition in terms of business mix and geographical spread.

Non-controlling Interest

Non-controlling interest, which comprised mainly the minority share of results from Olam Palm Gabon (OPG), Olam Rubber Gabon and Caraway (Packaged Foods), was a smaller loss of S$24.7 million in 2018 compared to the year before (2017: -S$29.1 million). The losses from OPG arising from higher period costs on partially yielding plantations were partly offset by improved contribution from the Packaged Foods business in Africa.

Exceptional Items

The 2018 results included a net exceptional gain of S$1.2 million (2017: S$149.2 million), as gains from assets sales which took place during the year offset the loss resulting from the cumulative foreign exchange differences recognised on the disposal of our stake in Nauvu.

S$ million	2018	2017	Q4 2018	Q4 2017
Sale of lands in US	18.6	34.2	4.8	34.2
Sale of PT ACE	5.8	-	(0.1)	-
Sale of Café Enrista brand	2.7	-	-	-
Sale of 50% stake in Nauvu	(24.6)	-	(0.1)	-
Profit on sale of 50% stake in FEA	-	121.2	-	121.2
SVI Wage agreement settlement	-	(6.2)	-	-
Loss on sale of stake in JV/associate	(1.3)	-	(1.3)	-
Exceptional Items	**1.2**	**149.2**	**3.3**	**155.4**

PATMI

PATMI declined 40.1% to S$347.8 million compared with a strong PATMI of S$580.7 million in 2017 mainly due to the significant exceptional gains of S$149.2 million recorded in 2017.

Operational PATMI

Operational PATMI (PATMI excluding exceptional items) was lower by 19.7% at S$346.6 million (2017: S$431.5 million).

Balance Sheet Analysis[1]

S$ million	31-Dec-18	31-Dec-17	Change
Uses of Capital			
Fixed Capital	8,349.3	8,633.2	(283.9)
Working Capital	6,376.4	7,280.3	(903.9)
Cash	2,480.4	1,986.4	494.0
Others	526.2	309.0	217.2
Total	**17,732.3**	**18,208.9**	**(476.6)**
Sources of Capital			
Equity & Reserves	6,652.9	6,574.4	78.5
Non-controlling interests	138.7	177.4	(38.7)
Short term debt	4,777.1	4,660.2	116.9
Long term debt	6,491.1	6,927.7	(436.6)
Fair value reserve	(327.5)	(130.8)	(196.7)
Total	**17,732.3**	**18,208.9**	**(476.6)**

Others are deferred tax assets and liabilities, other non-current assets, derivative financial instruments (assets and liabilities) and provision for taxation.

As of December 31, 2018, our total assets[2] of S$17.7 billion comprised S$8.3 billion of fixed assets, S$6.4 billion of working capital and S$2.5 billion of cash. These were funded by S$6.7 billion of equity, S$4.8 billion of short term debt and S$6.5 billion of long term debt.

Compared with December 31, 2017, the overall balance sheet shrank by S$476.6 million with a reduction in both fixed capital and working capital.

Working Capital

S$ million	31-Dec-18	31-Dec-17	Change
Stock	6,468.2	6,044.7	423.5
Advance to suppliers	805.5	743.5	62.0
Receivables	2,435.2	1,901.9	533.3
Trade creditors	(3,633.9)	(2,184.4)	(1,449.5)
Others	301.4	774.6	(473.2)
Working Capital	**6,376.4**	**7,280.3**	**(903.9)**

Others include other current assets, changes to margin accounts with brokers and other current liabilities.

[1] The Company's balance sheet includes reserves created on account of the restructuring of the US business earlier held by Queensland Cotton Australia, which have been reversed at the Group level (to be read in conjunction with Page 3 of SGXNET Financial Statements for 2018).

[2] Total assets are net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities.

Compared with December 31, 2017, working capital decreased substantially by S$903.9 million on continued capital optimisation initiatives which, along with the change in product mix and improved access to supplier credit, led to our overall working capital cycle reducing from 97 days a year ago to 76 days as at December 31, 2018.

Days	31-Dec-18	31-Dec-17	Change
Stock	84	93	(9)
Advance to suppliers	10	11	(1)
Receivables	29	26	3
Trade creditors	(47)	(33)	(14)
Total cash cycle	**76**	**97**	**(21)**

Debt, Liquidity and Gearing

S$ million	31-Dec-18	31-Dec-17	Change
Gross debt	11,268.2	11,587.9	(319.7)
Less: Cash	2,480.4	1,986.4	494.0
Net debt	8,787.8	9,601.5	(813.7)
Less: Readily marketable inventory	4,754.1	4,539.6	214.5
Less: Secured receivables	2,103.5	1,714.8	388.7
Adjusted net debt	1,930.2	3,347.1	(1,416.9)
Equity (before FV adj reserves)	6,652.9	6,574.4	78.5
Net debt / Equity (Basic)	**1.32**	**1.46**	**(0.14)**
Net debt / Equity (Adjusted)	**0.29**	**0.51**	**(0.22)**

Net debt came down by S$813.7 million compared with December 31, 2017. This was a result of lower working capital and lower net Capex. Net gearing improved from 1.46 times a year ago to 1.32 times as at December 31, 2018.

Of the S$6.5 billion inventory position, approximately 73.5% or S$4.8 billion were readily marketable inventories (RMI) that were liquid, hedged and/or sold forward, operating as near-cash assets on our balance sheet. In addition, approximately 86.4% of the S$2.4 billion in trade receivables were secured. Typically, at any given point, about 75-85% of inventory is hedged and/or sold forward and 60-70% of receivables are supported by letters of credit or documents through banks. Adjusting for RMI and secured receivables, our net gearing would be 0.29 times, reflecting the true indebtedness of our Company.

We maintained sufficient liquidity to meet our working capital and capital expenditure requirements, with a total of S$19.0 billion in available liquidity as at December 31, 2018, including unutilised bank lines of S$9.7 billion.

Cash Flow Analysis

S$ million	2018	2017	YoY
Operating Cash flow (before Interest & Tax)	1,154.7	1,369.2	(214.5)
Changes in Working Capital	930.6	834.7	95.9
Net Operating Cash Flow	**2,085.3**	**2,203.9**	**(118.6)**
Tax paid	(137.9)	(82.1)	(55.8)
Capex/ Investments	(417.0)	(637.4)	220.4
Free cash flow to firm (FCFF)	**1,530.4**	**1,484.4**	**46.0**
Net interest paid	(464.1)	(464.0)	(0.1)
Free cash flow to equity (FCFE)	**1,066.3**	**1,020.4**	**45.9**

Net operating cash flow for 2018 was a healthy S$2.1 billion. Net of Capex and divestments, Free Cash Flow to Firm (FCFF) and FCFE improved to S$1,530.4 million (2017: S$1,484.4 million) and S$1,066.3 million (2017: S$1,020.4 million) respectively.

Segmental Review and Analysis

For Q4 2018

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)	
S$ million	**Q4 2018**	**Q4 2017**	**Q4 2018**	**Q4 2017**	**Q4 2018**	**Q4 2017**	**31-Dec-18**	**31-Dec-17**
Edible Nuts and Spices	483.9	436.4	1,158.9	1,201.4	62.9	99.1	3,609.9	3,603.9
Confectionery and Beverage Ingredients	516.2	534.7	1,907.8	1,960.7	165.1	78.9	4,935.1	5,347.0
Food Staples and Packaged Foods	8,037.8	6,488.9	4,259.2	3,399.4	40.2	68.6	4,577.9	4,678.3
Food Category	**9,037.9**	**7,460.0**	**7,325.9**	**6,561.5**	**268.2**	**246.6**	**13,122.9**	**13,629.2**
Industrial Raw Materials, Infrastructure and Logistics	573.0	336.0	1,134.5	673.7	43.7	58.2	1,571.7	2,104.9
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	18.8	8.0	117.6	98.3
Non-Food Category	**573.0**	**336.0**	**1,134.5**	**673.7**	**62.5**	**66.2**	**1,689.3**	**2,203.2**
Total	**9,610.9**	**7,796.0**	**8,460.4**	**7,235.2**	**330.7**	**312.8**	**14,812.2**	**15,832.4**

Notes:

IC excludes:

(a) Gabon Fertiliser Project (31-Dec-18: S$245.4 million, 31-Dec-17: S$248.0 million); and

(b) Long Term Investment (31-Dec-18: S$135.8 million, 31-Dec-17: S$257.5 million)

For 2018

Segment	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/ Avg IC	
S$ million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**31-Dec-18**	**31-Dec-17**	**2018**	**2017**
Edible Nuts and Spices	1,690.5	1,691.5	4,312.0	4,492.0	339.9	438.4	3,609.9	3,603.9	9.4%	12.1%
Confectionery and Beverage Ingredients	1,836.3	2,063.6	7,129.8	8,136.8	444.0	327.7	4,935.1	5,347.0	8.6%	5.7%
Food Staples and Packaged Foods	27,104.3	16,909.3	14,506.3	9,767.1	288.8	359.7	4,577.9	4,678.3	6.2%	7.8%
Food Category	**30,631.1**	**20,664.4**	**25,948.1**	**22,395.9**	**1,072.7**	**1,125.8**	**13,122.9**	**13,629.2**	**8.0%**	8.1%
Industrial Raw Materials, Infrastructure and Logistics	2,236.5	1,870.2	4,530.9	3,876.6	176.2	197.3	1,571.7	2,104.9	9.6%	9.1%
Commodity Financial Services (CFS)	N.A.	N.A.	-	-	(13.1)	4.8	117.6	98.3	-12.1%	3.8%
Non-Food Category	**2,236.5**	**1,870.2**	**4,530.9**	**3,876.6**	**163.1**	**202.1**	**1,689.3**	**2,203.2**	**8.4%**	8.8%
Total	**32,867.6**	**22,534.6**	**30,479.0**	**26,272.5**	**1,235.8**	**1,327.9**	**14,812.2**	**15,832.4**	**8.1%**	8.2%

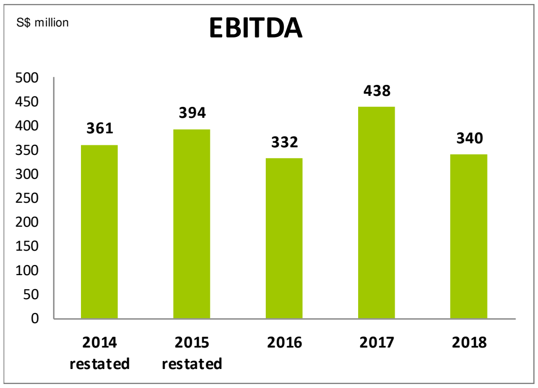
Notes:

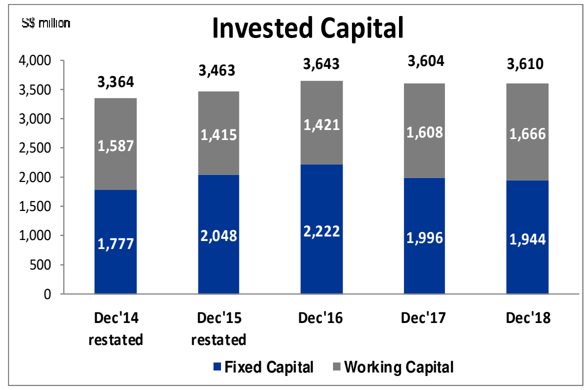
IC excludes:

(a) Gabon Fertiliser Project (31-Dec-18: S$245.4 million, 31-Dec-17: S$248.0 million); and

(b) Long Term Investment (31-Dec-18: S$135.8 million, 31-Dec-17: S$257.5 million)

Edible Nuts and Spices[3]





EBITDA /Avg IC	10.3%	11.5%	9.3%	12.1%	9.4%

The Edible Nuts and Spices segment reported similar sales volumes in 2018 as in the previous year. Its revenues however declined 4.0% mainly due to lower prices across multiple products in the segment.

EBITDA fell by 22.5% against the strong results achieved by the Edible Nuts business in 2017. During the year under review, the Edible Nuts business had a lower EBITDA primarily due to lower contribution from the peanut business. The peanut farming operations in Argentina was adversely impacted by drought conditions and currency devaluation and the peanut business in the US recorded lower shelling volumes amid an oversupplied market. With the sale of the peanut shelling operations in Argentina to Adecoagro in early February 2019, the Group will therefore cease peanut farming operations in the country.

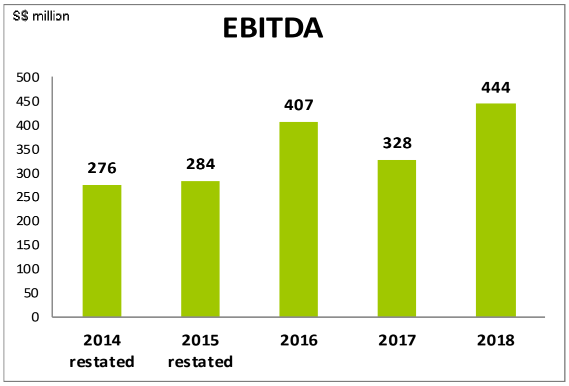
The Spices business posted a higher EBITDA in 2018 compared with 2017 due to lower losses in the tomato processing business while the dehydrates and spices business continued to do well during the year.

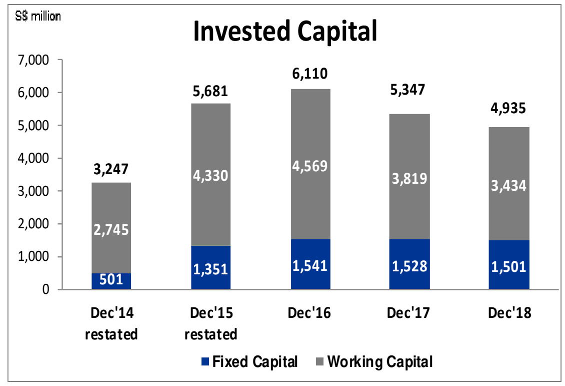
Invested capital in the segment was relatively unchanged compared with December 31, 2017. The increase in working capital on higher Edible Nuts inventory was compensated by a reduction in fixed capital. Fixed capital declined with the sale of land assets in the US, partly offset by our investment in cashew processor Long Son in Vietnam.

EBITDA to average invested capital (EBITDA/IC) for the segment declined from 12.1% in 2017 to 9.4% in 2018 on lower EBITDA.

[3] Renamed from Edible Nuts, Spices and Vegetable Ingredients (SVI); Spices and Vegetable Ingredients has been renamed Spices.

Confectionery and Beverage Ingredients





EBITDA /Avg IC	9.9%	6.4%	6.9%	5.7%	8.6%

The Confectionery and Beverage Ingredients segment recorded a 11.0% reduction in volumes on normalised Cocoa volumes in 2018 versus higher sales throughput in 2017 due to a significant working capital optimisation exercise undertaken during that year.

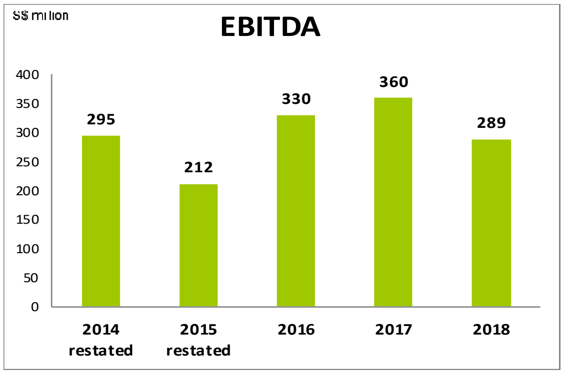
Revenues for the segment also went down by 12.4% due to the reduction in Cocoa volumes and historically low coffee prices.

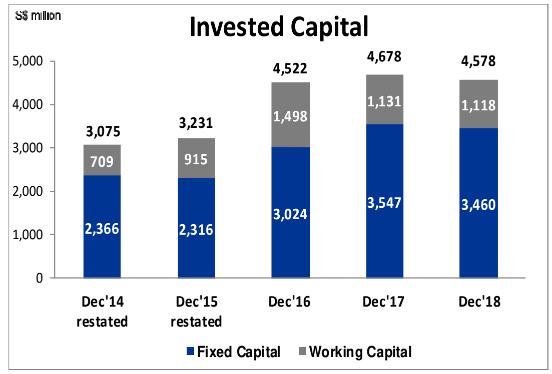
In spite of lower volumes and revenues, EBITDA improved substantially by 35.5% during 2018 as the Cocoa business performed exceptionally well, both in supply chain and processing operations, compensating for the weaker results from Coffee. The difficult market conditions which started in the second half of 2017 continued to impact the Coffee supply chain business adversely throughout most of the year. Soluble coffee, meanwhile, continued to do very well as its increased capacity was fully sold out during the year.

Invested capital in this segment continued to ease in 2018 by a further S$411.9 million compared with a year ago on December 31, 2017. This was primarily due to the impact of working capital optimisation, lower coffee prices and reduction of inventory holding period in Coffee.

With an improved EBITDA on lower invested capital, EBITDA/IC for the segment increased from 5.7% in 2017 to 8.6% in 2018.

Food Staples and Packaged Foods





EBITDA /Avg IC	8.8%	6.7%	8.5%	7.8%	6.2%

Food Staples and Packaged Foods segment posted volume and revenue growth of 60.3% and 48.5% respectively in 2018. This was primarily driven by the growth in Grains trading volumes.

EBITDA was however lower by 19.7% compared with a strong 2017 performance. This was mainly due to reduced contribution from the Dairy, Rice and Edible Oils businesses. While the upstream operations in Russia did well, the farming operations in Uruguay experienced drought conditions, leading to higher feed costs. The Rice business reported lower earnings as it reduced merchandising volumes into Africa due to intense competitive pressures in the market. Edible Oils had higher period costs charged on OPG's partially matured plantations, an absence of income from Nauvu after the sale of the joint venture as well as margin compression in its processing operations in Mozambique.

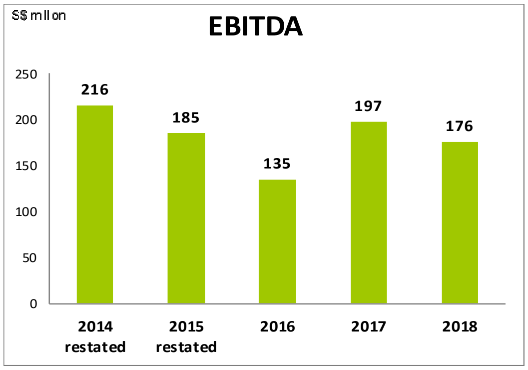
The Sugar business maintained its performance in 2018 as it overcame the difficult trading conditions which persisted for most of the year with higher trading income which offset the lower refining income from associate PT DUS.

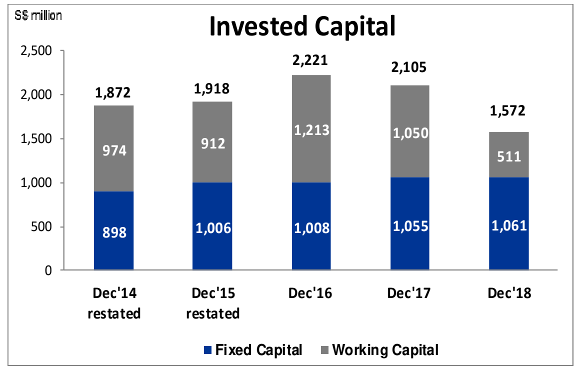
Grains and Animal Feed business contributed a marginally lower EBITDA in 2018 mainly on reduced margins in the animal feed operations in Nigeria. Packaged Foods continued to improve with higher EBITDA with market share gains in both Nigeria and Ghana.

Invested capital came down by S$100.4 million compared with December 31, 2017 mainly due to continued optimisation initiatives which, along with the change in product mix and improved access to supplier credit, reduced the impact on working capital despite the increase in Grains volumes.

EBITDA/IC declined from 7.8% in 2017 to 6.2% in 2018.

Industrial Raw Materials, Infrastructure and Logistics[4]





EBITDA /Avg IC	11.6%	9.8%	6.5%	9.1%	9.6%

The Industrial Raw Materials, Infrastructure and Logistics segment grew volumes and revenues by 19.6% and 16.9% respectively in 2018 on higher sales volumes from all businesses.

However, EBITDA fell 10.7% on lower contribution from GSEZ, which offset growth from Wood Products and Rubber in 2018.

Compared with December 31, 2017, invested capital decreased significantly by S$533.2 million on continued inventory optimisation initiatives, positively impacting EBITDA/IC from 9.1% in 2017 to 9.6% in 2018.

Commodity Financial Services

Commodity Financial Services incurred a net loss of S$13.1 million in EBITDA for 2018 (2017: S$4.8 million) mainly due to losses in the Fundamental Fund, which was closed in Q4 2018.

Compared with December 31, 2017, invested capital increased by S$19.3 million with most of it deployed in the funds management business.

[4] Renamed from Industrial Raw Materials, Ag Logistics and Infrastructure

Value Chain Review and Analysis

	Sales Volume ('000 MT)		Revenue		EBITDA		Invested Capital (IC)		EBITDA/ Avg IC	
S$ million	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Upstream	**755.2**	584.6	**1,780.3**	1,707.2	**148.0**	188.3	**4,061.2**	3,915.4	**3.7%**	4.9%
Supply Chain	**27,827.9**	17,089.3	**19,475.8**	15,208.7	**405.2**	450.9	**5,151.3**	5,803.8	**7.4%**	7.3%
Mid/ Downstream	**4,284.5**	4,860.7	**9,222.9**	9,356.6	**682.6**	688.7	**5,599.7**	6,113.2	**11.7%**	11.1%
Total	**32,867.6**	**22,534.6**	**30,479.0**	**26,272.5**	**1,235.8**	**1,327.9**	**14,812.2**	**15,832.4**	**8.1%**	**8.2%**

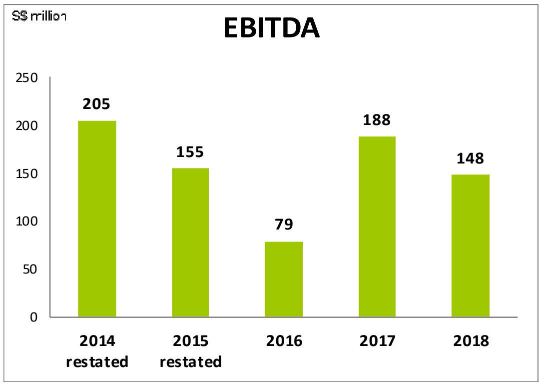
Notes:

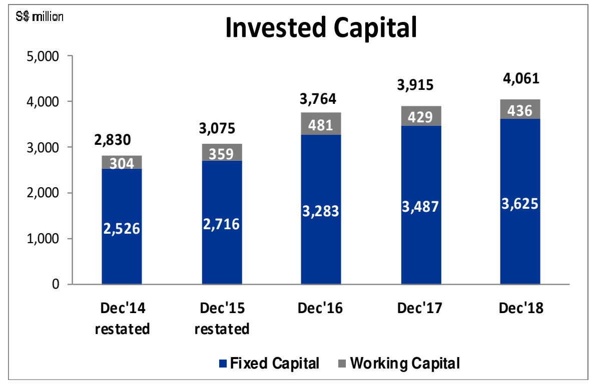
IC excludes:

(a) Gabon Fertiliser Project (31-Dec-18: S$245.4 million, 31-Dec-17: S$248.0 million); and

(b) Long Term Investment (31-Dec-18: S$135.8 million, 31-Dec-17: S$257.5 million)

Upstream





EBITDA /Avg IC	**6.6%**	**5.2%**	**2.3%**	**4.9%**	**3.7%**

The Upstream segment registered a year-on-year volume growth of 29.2% in 2018. This came mainly from higher volumes in Rice and Dairy farming in Nigeria and Russia respectively, as well as the increase in partially yielding acreage in palm plantations in Gabon.

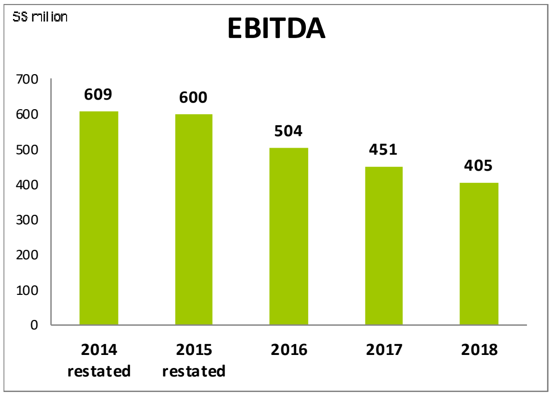
Revenue grew by 4.3% in 2018 on higher volumes.

However, EBITDA fell by 21.4% on lower contribution from peanut farming in Argentina, Dairy farming operations in Uruguay, as well as the increased period costs incurred by OPG on its partially yielding plantations, partly offset by better performance in Wood Products from its forestry concessions in the Republic of Congo.

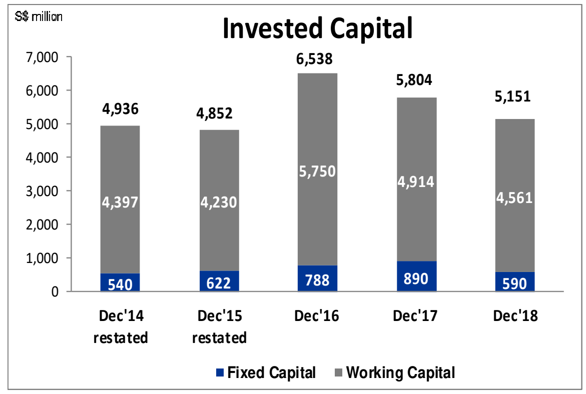
Invested capital in the segment rose by S$145.8 million from the end of last year, mainly due to the increase in fixed capital with continued investments in the palm plantations.

As a result, EBITDA/IC declined from 4.9% in 2017 to 3.7% in 2018.

Supply Chain



EBITDA /Avg IC	12.5%	12.3%	8.8%	7.3%	7.4%



The Supply Chain segment recorded a 62.8% volume increase in 2018, driven mainly by the significant increase in trading volumes in Grains compared with 2017.

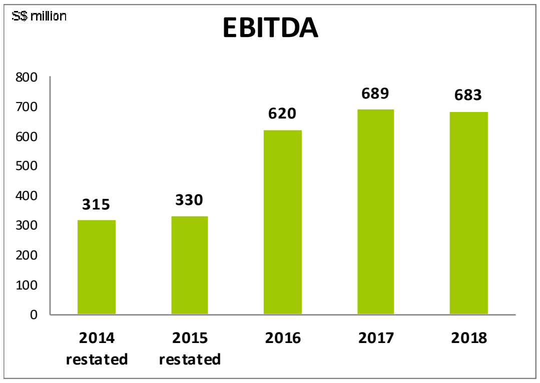
Revenue was up 28.1% on higher volumes, moderated by lower commodity prices.

EBITDA however declined 10.1% largely due to the reduced contribution from Coffee, Rice and Dairy supply chain businesses.

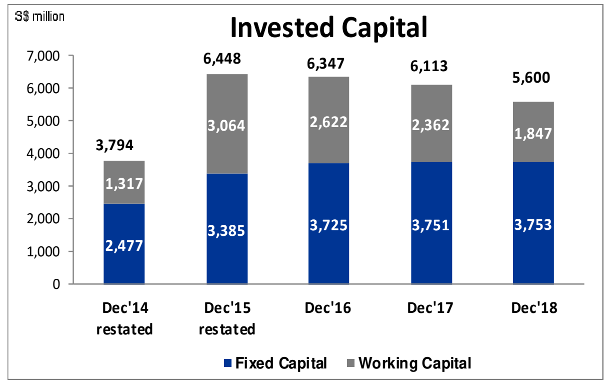
Invested capital in the segment reduced by a further S$652.5 million in 2018 compared with 2017. This was due to positive impact from the working capital optimisation programme, the change in product mix and better access to supplier credit.

EBITDA/IC was steady at 7.4% in 2018 (2017: 7.3%).

Mid/Downstream



EBITDA /Avg IC	8.2%	6.5%	9.7%	11.1%	11.7%



The Mid/Downstream segment saw volumes decline by 11.9% in 2018. This was primarily caused by the normalisation of Cocoa volumes as well as lower peanut shelling volumes in the US.

Revenues was down by only 1.4% as the increase in selling prices of products, such as cocoa ingredients and tomatoes, compensated for the impact from lower volumes.

The segment held up its EBITDA performance in 2018 as higher contribution from Cocoa, Soluble Coffee, Spices and Packaged Foods was offset by a lower share of results from PT DUS and GSEZ, and reduced contribution from peanut processing, Edible Oils and the animal feed business.

Invested capital was down from 2017 levels by S$513.5 million in 2018, largely arising from the reduction in working capital due to inventory optimisation initiatives for Cocoa and wheat milling.

EBITDA/IC increased from 11.1% in 2017 to 11.7% in 2018.

Annexure

SGXNET Financial Statements and MD&A Reconciliation

The table below summarises the differences between the financial statements on SGXNET and MD&A due to adjustments for exceptional items.

S$ million	2018	2017	Q4 2018	Q4 2017
Other Income^	55.5	52.2	34.9	20.7
Other Income	87.7	207.6	41.1	176.1
Less: Exceptional items	32.2	155.4	6.2	155.4
Overhead expenses^	(1,317.6)	(1,248.5)	(375.7)	(380.6)
Other operating expenses^	(119.1)	(42.9)	89.8	(74.1)
Other expenses	(1,462.6)	(1,297.6)	(287.4)	(454.7)
Less: Exceptional items	(25.9)	(6.2)	(1.5)	-
Taxation^	(52.3)	(79.2)	(1.6)	(26.3)
Income tax expense	(57.4)	(79.2)	(3.0)	(26.3)
Less: Exceptional items	(5.1)	-	(1.4)	-

^ as stated in MD&A

Business Model and Strategy

Olam's business is built on a strong foundation as a fully integrated supply chain manager and processor of agricultural products and food ingredients, with operations across 16 businesses in over 60 countries. As a supply chain manager, Olam is engaged in the sourcing of a wide range of agricultural commodities from the producing countries and the processing, warehousing, transporting, shipping, distributing and marketing of these products right up to the factory gate of our customers in the destination markets. We also manage risk at each stage of the supply chain. From our inception in 1989, we have evolved from a single country, single product trader to a multi-country, multi-product supply chain manager.

In that process of evolution and development, the Olam business model had grown both in depth as well as breadth, pursuing selected value chain adjacencies which both complement and enhance our core supply chain model. We have developed new competencies as we pursued our strategic goals, including the capabilities to identify, execute and integrate attractive acquisition opportunities in selected countries. These initiatives are carefully selected to be within or adjacent to our core value chain activities. Successfully completed transactions have addressed opportunities in the upstream (plantation and farming), midstream (manufacturing/ processing) and downstream parts of the value chain.

Building on existing and new capabilities, we have expanded upstream selectively into plantation ownership and management (perennial crops), farming (annual crops), Dairy farming and forest concessions management. These opportunities, both organic and inorganic, have been pursued in countries that have a comparative advantage to produce these commodities relatively better and at relatively lower costs on a sustainable basis.

Selective investments across the value chain

Pursuit of this strategy has led us to invest selectively in almond orchards in Australia and US, pistachio and walnut orchards in the US, pepper plantations in Vietnam and Brazil, Coffee plantations in Laos, Tanzania, Zambia and Brazil, Cocoa plantation in Indonesia, Rice farming in Nigeria, Palm and Rubber plantations in Gabon, Dairy farming in Uruguay and Russia, and the development of tropical hard wood forest concessions in the Republic of Congo (ROC).

Similarly, in the midstream part of the value chain, we have pursued initiatives in value-added processing and manufacturing activities, such as peanut shelling in the US, mechanical processing of cashews in Côte d'Ivoire, hazelnut processing in Turkey and Georgia, spice grinding in Vietnam, soluble Coffee manufacturing in Vietnam and Spain, Cocoa processing in Côte d'Ivoire, Germany, Netherlands, Indonesia, Singapore, Ghana and Nigeria, and wheat milling in Nigeria, Ghana, Senegal and Cameroon.

Downstream progress has been reflected in the initiatives completed in Packaged Foods distribution in West Africa and the successful development of our own consumer brands in the food category, which capitalise on our intimate knowledge of African markets, operations, brands, and consumers. This downstream activity also builds on capabilities in the management of food supply chains and on the common distribution pipeline that we have built for related commodity products (including Rice, wheat and Dairy) in West Africa.

In addition, Olam has diversified into other related businesses which build on latent assets and capabilities developed over the last 29 years – the Commodity Financial Services business (CFS) and the development of infrastructure and logistics in Africa.

Evolution of Olam's Business Model: Olam 2.0

Olam now has an extensive upstream farming and plantation footprint and our midstream manufacturing footprint has grown 10-fold since we began on the journey to integrate our value chain participation into upstream and midstream expansion. We are recognised as being leaders in sustainability, and our farmer/supplier and customer networks/engagement have given us a global edge in many of our products. All these initiatives and changes combined had resulted in Olam 1.0 – The Olam Way that forms the basis for the way we lead, organise, compete, grow and succeed in the marketplace – evolving into Olam 2.0.

We have identified six key priorities in Olam 2.0 that will help us stay ahead and make Olam future ready:

1. Focus on drivers of long-term value;
2. Put sustainability at the heart of our business;
3. Build operational excellence as a core competency;
4. Lead industry's digital disruption and transformation;
5. Enhance our culture, values and spirit;
6. Realign and renew our organisation to execute our strategy.

2019-2024 Strategic Plan

The 2019-2024 Strategic Plan aims to capitalise on key trends shaping the sector. Driven by consumers and advances in technology, these trends include increasing demand for healthier foods, traceable and sustainable sourcing, e-commerce and the rise of "purpose" brands. This new strategy builds on the current business model which has yielded strong results and growth across Olam's diversified portfolio. It sets out four pathways for growth:

1. Strengthen, streamline and focus the business portfolio with a planned investment of US$3.5 billion (including US$1 billion maintenance capex) in 12 prioritised high potential growth businesses[5] and releasing US$1.6 billion from de-prioritising and divesting four businesses – Sugar, Rubber, Wood Products, Fertiliser – and other assets that no longer fit with Olam's strategic priorities. The divestments will be completed in a responsible and orderly manner during this plan period.

2. Drive margin improvement by enhancing cost and capital efficiency.

3. Generate additional revenue streams by offering differentiated products/services such as AtSource™, risk management solutions, value-added services, ingredients and product innovation; and from both existing and new channels such as co-manufacturing, the food service sector and e-commerce for small and medium sized customers.

4. Explore partnerships and investments in new engines for growth by assessing opportunities to deliver to the consumers and farmers of tomorrow.

Olam has identified four enablers to execute these strategic pathways:

1. Achieve operational excellence through tracking metrics that matter, digital dashboards and performance scorecards, execution discipline and continuous improvement.

2. Continue to keep sustainability at the heart of the business and re-generate food and farming landscapes while capitalising on changing consumer preferences ('right-for-me', 'right-for-the-planet', 'right-for-the-producer').

3. Lead the industry's digital transformation and disruption by identifying, validating and deploying initiatives to capture and create value.

4. Attract, retain and inspire top talent by embedding Olam's Purpose and investing in people development programmes.

[5] Edible Nuts, Cocoa, Grains & Animal Feed, Coffee, Cotton, Spices, Edible Oils, Infrastructure & Logistics, Dairy, Rice, Packaged Foods and Commodity Financial Services

Business Segmentation and Reporting

We organise Olam's operations into five business segments and three value chain segments for reporting purposes. The distribution of the 18 businesses across the business segments and the activities across the value chain segments are given below:

5 Business Segments	16 Businesses[6]
Edible Nuts and Spices (formerly Edible Nuts, Spices and Vegetable Ingredients)	1) Edible Nuts (cashew, peanuts, almonds, hazelnuts, pistachios, walnuts, sesame, quinoa, chia seeds and beans) 2) Spices (formerly Spices and Vegetable Ingredients. These include pepper, onion, garlic, capsicums and tomato)
Confectionery and Beverage Ingredients	3) Cocoa 4) Coffee
Food Staples and Packaged Foods	5) Rice 6) Sugar and Sweeteners 7) Grains and Animal Feed 8) Edible Oils 9) Dairy 10) Packaged Foods
Industrial Raw Materials, Infrastructure and Logistics (formerly Industrial Raw Materials, Ag Logistics and Infrastructure)	11) Cotton 12) Wood Products 13) Rubber 14) Fertiliser 15) Infrastructure and Logistics (including Gabon Special Economic Zone or GSEZ)
Commodity Financial Services (CFS)	16) Funds Management

3 Value Chain Segments	Value Chain Activity
Supply Chain	Includes all activities connected with origination, sourcing, primary processing, logistics, trading, marketing (including value-added services) and risk management of agricultural products and the CFS segment
Upstream	Includes all activities relating to farming (annual row crops), plantations (perennial tree crops), Dairy farming and forest concessions
Midstream & Downstream	Includes all activities relating to secondary processing, contract manufacturing, branded distribution, private label activities and Ag logistics and Infrastructure

[6] Risk Management Solutions and Trade and Structured Finance, which were previously two separate businesses under Commodity Financial Services, have been reclassified as embedded services for the businesses. Market-making and volatility trading activities were discontinued in 2018.

The production of agricultural products is seasonal in nature. The seasonality of the products in our global portfolio depends on the location of the producing country. The harvesting season for most of the agricultural products for countries situated in the northern hemisphere generally falls between October and March. Countries in the southern hemisphere have harvesting seasons between April and September.

It is also not unusual to experience both delays, as well as early starts, to the harvesting seasons in these countries in a particular year, based on weather patterns. In addition to an early or delayed harvesting season, the precise timing and size of arrivals of these products can also vary based on the farmers' selling decisions; these are mainly a function of the farmers' view on prices and inventory holding capacity. The majority of our origins are located in the northern hemisphere. Consequently, our earnings tend to be relatively higher in the first half of the year (January to June) compared to the second half of the year (July to December).

Based on this seasonality, we have observed the distribution of our earnings in prior periods to follow the schedule below:

Q1 Jan-March	Q2 Apr-June	**First Half Jan-June**	Q3 Jul-Sep	Q4 Oct-Dec	**Second Half Jul-Dec**
35 – 40%	25 – 30%	**60 – 70%**	5 – 10%	25 – 30%	**30 – 40%**

Key Definitions

Sales Volume: Sale of goods in metric tonne (MT) equivalent. There are no associated volumes for CFS and Infrastructure & Logistics businesses.

Revenue: Sale of goods and services

Other Income: Includes sale of scrap materials, commissions and claims income and fair value gain on investments held for trading. Negative goodwill, gain on sale of assets and other non-recurring, exceptional items which are part of Other Income in the Profit & Loss statement on SGXNet are classified as Exceptional Items in the MD&A.

Cost of Sales: Cost of goods sold, shipping and logistics, commissions and claims expenses and the net measurement of derivative assets

Overhead (Selling, General & Administrative) Expenses: Employee benefit costs, manufacturing overheads, travel expenses and other direct expenses

Other Operating Expenses: Unrealised foreign exchange gain/loss and other expenses

Net changes in fair value of biological assets: Records changes in the fair value of agricultural produce growing on bearer plants and livestock

Exceptional Items: One-off, non-recurring items, including negative goodwill and related transaction costs, gain/loss on sale of assets/business, gain/loss on buyback of bonds, impairment loss, finance charges on pre-payment of loans and non-recurring business restructuring expenses. Tax expenses associated with these items are also presented as Exceptional Items.

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) which includes minority interest and excludes Exceptional Items

PAT: Net profit after tax

PATMI: PAT less minority interest

Operational PATMI: PATMI excluding Exceptional Items

Total Assets: Total assets are net of trade payables and accruals, derivative financial instruments (current liabilities), provision for taxation, other current liabilities and deferred tax liabilities.

Invested Capital (IC): Excludes cash and bank balances, deferred tax assets, fixed deposits, other current/non-current assets (other than option premiums payable/receivable) and fair value of derivative assets on bonds

EBITDA/IC: EBITDA on average invested capital based on beginning and end-of-period invested capital

Net Gearing: Ratio of Net Debt (gross debt less cash) to Equity (before fair value adjustment reserves)

Net Gearing (adjusted): Net gearing adjusted for readily marketable inventories that are liquid, hedged and/or sold forward, operating as near-cash assets on the balance sheet, and secured receivables are supported by letters of credit or documents through banks

Free Cash Flow to Firm (FCFF): Operating cash flow less changes in working capital, cash taxes, capital expenditures and investments

Free Cash Flow to Equity (FCFE): FCFF less net interest paid

Note: *Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.*